

FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

JUN 02 2003

OFFICE OF
MANAGING DIRECTOR

Gerald A. DeCiccio
CFO
GTC Telecom
3151 Airway Ave., Suite P-3
Costa Mesa, California 92626

Re: Request for Waiver of FY 2002
Regulatory Fee
Fee Control No. 00000RROG-03-075

Dear Mr. DeCiccio

This is in response to your letter dated February 20, 2003, in which you supplement your earlier request to waive and refund payment of GTC Telecom's (GTC) Fiscal Year (FY) 2002 regulatory fee of \$13,928.23. Our records indicate that you have paid this fee.

You question the FCC's calculation of GTC's net loss for FY 2002, which led us to conclude that GTC was not eligible for a hardship waiver for FY 2002. Specifically, you state that the total compensation paid to principals in 2002 was \$995,165, rather than the \$2,045,165 figure used by the FCC. You state that the FCC included securities underlying options, shown on GTC's summary compensation table, in calculating the total compensation for principals. Furthermore, you state that when the newly calculated amount of \$995,165 for total compensation to principals is added to the \$237,035 for depreciation and amortization, the sum is \$1,232,200, which is less than the net loss of \$1,311,667 for FY 2002. Therefore, you argue, FTC has presented a compelling case of financial hardship for FY 2002.

As we have stated previously, in establishing its regulatory fee program, the Commission recognized that in certain instances payment of a regulatory fee may impose an undue financial hardship on a licensee. Thus, the Commission decided to grant waivers or reductions of its regulatory fees in those instances where a "petitioner presents a compelling case of financial hardship." Implementation of Section 9 of the Communications Act, 9 FCC Rcd 5333, 5346 (1994), reconsideration granted, 10 FCC Rcd 12759 (1995). The Commission further held that regulates can establish financial need by submitting:

[I]nformation such as a balance sheet and profit and loss statement (audited, if available), a cash flow projection . . . (with an explanation of how calculated), a

list of their officers and their individual compensation, together with a list of their compensation, or similar information.

10 FCC Rcd at 12761-12762.

In determining whether a licensee has sufficient revenues to pay its regulatory fees, the Commission relies upon a licensee's cash flow, as opposed to the entity's profits. Thus, although deductions for amortization and depreciation, and payments to principals reduce gross income for tax purposes, those deductions also represent money which is considered to be available to pay the regulatory fee.

GTC's new analysis establishes that GTC had a negative cash flow in FY 2002. Under these circumstances, GTC has established financial losses constituting a compelling case of financial hardship and meriting a waiver of the FY 2002 regulatory fees. Accordingly, we will refund your payment of \$13,928.32 as soon as practicable. If you have any questions concerning this matter, please contact the Revenue & Receivables Operation Group at (202) 418-1995.

Sincerely,

A handwritten signature in dark ink, appearing to read "Mark A. Reger", with a stylized flourish at the end.

for Mark A. Reger
Chief Financial Officer



00000 RROG-03-075

Leading the way in Telecommunications

February 20, 2003

Federal Communications Commission
445 12th St SW
Attn: Managing Director
Room 1A625
Washington DC 20554

Attn: Regulatory Fee Waiver Reduction Request / Fee Control #00000RROG-02-101

To Whom It May Concern:

I am writing to respond to the FCC's response to GTC Telecom's request for a hardship waiver of the 2002 FCC Regulatory Fee of \$13,928.32. The item I am questioning is how the FCC calculated the 2002 amount for total compensation to principals. This is based on our calculation that the fiscal year 2002 amount should be \$995,165, rather than the \$2,045,165 that the FCC calculated. I believe that the FCC used a non-financial column to make its calculation (see attached circled column). Therefore, GTC did not include this column in the calculation as it does not contain financial information.

When the newly calculated amount of \$995,165 for total compensation to principals is added to the \$237,035 for depreciation and amortization, the sum is \$1,232,200. Therefore, the net loss for FY 2002 (\$1,311,667) is greater than the sum of depreciation and amortization and total compensation to principals (\$1,232,200). Therefore, GTC Telecom believes that it presents a compelling case for financial hardship for the fiscal year ended 2002.

I have enclosed a calculation that may help provide detail as to how I calculated the 2002 total compensation to principals. Please contact me regarding any relevant information pertaining to this issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Gerald A. DeCiccio".

Gerald A. DeCiccio
CFO
GTC Telecom

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation			Restricted Stock Awards (\$)	Long Term Compensation		All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)		Awards	Payouts	
						Securities Underlying Options SARs (#)	LTIP Payouts (\$)	
Paul Sandhu (CEO)	2002 (6/30)	\$186,450	16,800	12,000 ¹	-0-	280,000	-0-	27,139 ⁴
	2001 (6/30)	105,000	-0-	10,000 ¹	-0-	132,500	-0-	13,000 ²
	2000 (6/30)	126,000	-0-	-0-	-0-	217,500	-0-	-0-
Eric Clemons (President)	2002 (6/30)	198,550 ⁵	1,520	12,000 ¹	-0-	270,000	-0-	24,554 ⁴
	2001 (6/30)	145,667	13,680	10,000 ¹	-0-	132,500	-0-	100,000 ²
	2000 (6/30)	133,000	-0-	-0-	-0-	167,500	-0-	-0-
Gerald DeCiccio (CFO)	2002 (6/30)	155,100	14,400	12,000 ¹	-0-	260,000	-0-	17,169 ⁴
	2001 (6/30)	138,000	-0-	-0-	-0-	177,500	-0-	-0-
	2000 (6/30)	139,708	-0-	-0-	-0-	75,000	-0-	-0-
Mark Fleming (COO)	2002 (6/30)	141,483	13,000	-0-	-0-	240,000	-0-	15,500 ⁴
	2001 (6/30)	124,583	-0-	-0-	-0-	50,000	-0-	-0-
	2000 (6/30)	121,042	-0-	-0-	-0-	75,000	-0-	-0-
Frank Naccarelli ³ (VP Sales)	2002 (6/30)	147,500	-0-	-0-	-0-	-0-	-0-	-0-
	2001 (6/30)	111,686	-0-	-0-	-0-	35,000	-0-	-0-
	2000 (6/30)	90,208	-0-	-0-	-0-	35,000	-0-	-0-

- (1) Amounts paid for director's fees earned in fiscal year 2001 and paid in fiscal year 2002
(2) Non-business expenses paid on behalf of the officers
(3) Mr. Naccarelli's employment was terminated on May 10, 2002
(4) Amounts paid for vacation
(5) Includes \$24,383 of salary advances

GTC Telecom
Response to FCC's letter to GTC's Request for Waiver of Regulatory Fees
2/20/03

GTC Calculation of \$995,165 of total compensation to principals in 2002:

Name and Principal Position	Year	Salary \$	Bonus \$	Other Annual Compensation \$	Securities Underlying Options SARs (#)	All Other Compensation \$
Paul Sandhu (CEO)	2002	\$ 186,450	\$ 16,800	\$ 12,000	n/a	\$ 27,139
Eric Clemons (President)	2002	\$ 198,550	\$ 1,520	\$ 12,000	n/a	\$ 24,554
Gerald DeCiccio (CFO)	2002	\$ 155,100	\$ 14,400	\$ 12,000	n/a	\$ 17,169
Mark Fleming (COO)	2002	\$ 141,483	\$ 13,000		n/a	\$ 15,500
Frank Naccarelli (VP Sales)	2002	\$ 147,500				
Total		\$ 829,083	\$ 45,720	\$ 36,000	-	\$ 84,362
Grand Total		\$ 995,165				

FCC Calculation of \$2,045,165 of total compensation to principals in 2002:

Name and Principal Position	Year	Salary \$	Bonus \$	Other Annual Compensation \$	Securities Underlying Options SARs (#)	All Other Compensation \$
Paul Sandhu (CEO)	2002	\$ 186,450	\$ 16,800	\$ 12,000	280,000	\$ 27,139.00
Eric Clemons (President)	2002	\$ 198,550	\$ 1,520	\$ 12,000	270,000	\$ 24,554.00
Gerald DeCiccio (CFO)	2002	\$ 155,100	\$ 14,400	\$ 12,000	260,000	\$ 17,169.00
Mark Fleming (COO)	2002	\$ 141,483	\$ 13,000		240,000	\$ 15,500.00
Frank Naccarelli (VP Sales)	2002	\$ 147,500				
Total		\$ 829,083	\$ 45,720	\$ 36,000	1,050,000	\$ 84,362
Grand Total		\$ 2,045,165				

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FEB 17 2003

FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

OFFICE OF
MANAGING DIRECTOR

JAN 31 2003

Gerald A. DeCiccio, CFO
GTC Telecom
3151 Airway Ave., Suite P-3
Costa Mesa, California 92626

Re: Request for Waiver of FY 2001 and FY
2002 Regulatory Fees
Fee Control No. 00000RROG-02-101

Dear Mr. DeCiccio:

This is in response to your request to waive and refund payment of GTC Telecom's (GTC) Fiscal Year (FY) 2001 regulatory fee of \$7,164.00 and FY 2002 regulatory fee of \$13,928.23. Our records indicate that you have paid these fees.

You argue that the regulatory fees will be a financial hardship because GTC has not yet made a profit and its net income less depreciation continues to be negative. In support, you submit consolidated balance sheets, consolidated statements of operations, consolidated statements of cash flows, and summary compensation tables for GTC and its subsidiaries for years ending June 30, 2001 and 2002 (and in the case of the compensation table for years ending June 30, 2000 and June 30, 1999 as well).

In establishing its regulatory fee program, the Commission recognized that in certain instances payment of a regulatory fee may impose an undue financial hardship on a licensee. Thus, the Commission decided to grant waivers or reductions of its regulatory fees in those instances where a "petitioner presents a compelling case of financial hardship." Implementation of Section 9 of the Communications Act, 9 FCC Rcd 5333, 5346 (1994), reconsideration granted, 10 FCC Rcd 12759 (1995). The Commission further held that regulatees can establish financial need by submitting:

[I]nformation such as a balance sheet and profit and loss statement (audited, if available), a cash flow projection . . . (with an explanation of how calculated), a list of their officers and their individual compensation, together with a list of their highest paid employees, other than officers, and the amount of their compensation, or similar information.

10 FCC Rcd at 12761-12762.

In determining whether a licensee has sufficient revenues to pay its regulatory fees, the Commission relies upon a licensee's cash flow, as opposed to the entity's profits. Thus, although deductions for amortization and depreciation, and payments to principals reduce gross income for tax purposes, those deductions also represent money which is considered to be available to pay the regulatory fee.

For the Year ended June 30, 2001, GTC's consolidated statements of cash flow show a net loss of \$2,832,258 and depreciation and amortization of \$220,390. GTC's summary compensation table shows total compensation to principals for 2001 as being \$1,299,116. Because GTC's net loss for FY 2001 (\$2,832,258) is greater than the sum of depreciation and amortization and total compensation to principals (\$1,519,506), we find that you present a compelling case of financial hardship for 2001 and grant your request for waiver of GTC's regulatory fee for FY 2001. Accordingly, we will refund your payment of \$7,164.00 as soon as practicable.

For 2002, GTC's consolidated statements of cash flow show a net loss of \$1,311,667 and depreciation and amortization of \$237,035. GTC's summary compensation table shows total compensation to principals for 2002 as being \$2,045,165. Although GTC showed a net loss for 2002 (\$1,311,667), this loss resulted from the combination of the deductions for depreciation and amortization and total compensation paid to principals (\$2,282,200). Thus, GTC had money from its deductions for depreciation and amortization and its payments to principals from which it could pay the fee. In these circumstances, we find that you do not present a compelling case of financial hardship for FY 2002. Accordingly, we deny your request for waiver and refund of GTC's regulatory fee of \$13,928.32 for FY 2002. If you have any questions concerning this matter, please contact the Revenue & Receivables Operations Group at (202) 418-1995.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark A. Reger", with a stylized flourish at the end.

Mark A. Reger
Chief Financial Officer

Payment Transactions Detail Report

Date: 12/19/2002

BY: FEE CONTROL NUMBER

Fee Control Number	Payor Name	Fcc Account Number	Payer TIN	Received Date							
0209198835027007	GTC TELECOM CORP 3151 AIRWAY AVE SUITE P 3 COSTA MESA CA 92626	WP00052364	0000000000	19/18/2002 00:00:00							
Payment Amount	Current Balance	Seq Num	Payment Type Code	Quantity	Callsign Other Id	Applicant Name	Applicant Zip	Bad Check	Detail Amount	Trans Code	Payment Type
\$13,928.32	\$13,928.32	1	0272	1034770	8187202002	GTC TELECOM INC	92626		\$13,928.32	1	PMT
Total	1								\$13,928.32		